

**REPORT OF THE AUDIT OF THE
LESLIE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2015**



**MIKE HARMON
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EXECUTIVE SUMMARY
AUDIT OF THE
LESLIE COUNTY FISCAL COURT

June 30, 2015

The Auditor of Public Accounts has completed the audit of the Leslie County Fiscal Court for fiscal year ended June 30, 2015.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Leslie County Fiscal Court.

Financial Condition:

The Leslie County Fiscal Court had total receipts of \$9,292,845 and disbursements of \$10,907,884 in fiscal year 2015. This resulted in a total ending fund balance of \$7,612,608, which is a decrease of \$1,086,272 from the prior year.

Report Comments:

- 2015-001 The Fiscal Court Did Not Obtain Bids As Required By Statute
- 2015-002 The Fiscal Court Lacks Adequate Segregation Of Duties Over Cash, Receipts, Bank Reconciliations, And Payroll Procedures
- 2015-003 The Jail Commissary Lacks Adequate Segregation Of Duties Over All Jail Commissary Accounting Functions

Deposits:

The fiscal court deposits were insured and collateralized by bank securities or bonds.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Jimmy Sizemore, Leslie County Judge/Executive
Members of the Leslie County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Leslie County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Leslie County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described more fully in Note 1 of the financial statement, the financial statement is prepared by the Leslie County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Leslie County Fiscal Court as of June 30, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Leslie County Fiscal Court as of June 30, 2015, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Leslie County Fiscal Court. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying budgetary comparison schedules and capital asset schedule, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the financial statement as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2016 on our consideration of the Leslie County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Leslie County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2015-001 The Fiscal Court Did Not Obtain Bids As Required By Statute
- 2015-002 The Fiscal Court Lacks Adequate Segregation Of Duties Over Cash, Receipts, Bank Reconciliations, And Payroll Procedures
- 2015-003 The Jail Commissary Lacks Adequate Segregation Of Duties Over All Jail Commissary Accounting Functions

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

May 18, 2016

LESLIE COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Jimmy Sizemore	County Judge/Executive
Kenneth F. Smith	Magistrate
Bonnell Bentley	Magistrate
Brown Sizemore	Magistrate
Russell D. Brock	Magistrate

Other Elected Officials:

Leroy Lewis	County Attorney
Danny Clark	Jailer
James Lewis	County Clerk
Carmolita Morgan-Pace	Circuit Court Clerk
Delano Huff	Sheriff
Jimmy Wooton	Property Valuation Administrator
Greg Walker	Coroner

Appointed Personnel:

Mack Muncy	County Treasurer
Nancy Roberts	Finance Officer
Serena Asher	Occupational Tax Administrator

LESLIE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2015

LESLIE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2015

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 901,560	\$	\$
In Lieu Tax Payments	79,409	100,288	
Excess Fees	25,037		
Licenses and Permits	76,702		
Intergovernmental	235,097	1,823,201	1,798,656
Charges for Services	442		24,558
Miscellaneous	60,539	1,550	113,154
Interest	484	592	7,214
Total Receipts	<u>1,379,270</u>	<u>1,925,631</u>	<u>1,943,582</u>
DISBURSEMENTS			
General Government	745,132		
Protection to Persons and Property	3,999		1,807,434
General Health and Sanitation	7,519		
Social Services			
Recreation and Culture	10,530		
Roads		2,062,207	
Debt Service			1,505,177
Capital Projects			
Administration	458,981	318,270	453,000
Total Disbursements	<u>1,226,161</u>	<u>2,380,477</u>	<u>3,765,611</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>153,109</u>	<u>(454,846)</u>	<u>(1,822,029)</u>
Other Adjustments to Cash (Uses)			
Lease Proceeds			6,325,000
Bond Reoffering Premium			59,046
Bond Discount			(88,587)
Payroll Revolving Account			21,103
Payment to Bond Escrow Agent			(5,787,795)
Transfers From Other Funds		242,632	595,138
Transfers To Other Funds			
Total Other Adjustments to Cash (Uses)	<u></u>	<u>242,632</u>	<u>1,123,905</u>
Net Change in Fund Balance	153,109	(212,214)	(698,124)
Fund Balance - Beginning (Restated)	967,398	1,065,828	930,196
Fund Balance - Ending	<u>\$ 1,120,507</u>	<u>\$ 853,614</u>	<u>\$ 232,072</u>
Composition of Fund Balance			
Bank Balance	\$ 1,041,098	\$ 854,637	\$ 184,036
Payroll Revolving Account Balance			21,103
Debt Account Bank Balance			26,933
Plus: Deposits In Transit	79,409		
Less: Outstanding Checks	<u></u>	<u>(1,023)</u>	<u></u>
Fund Balance - Ending	<u>\$ 1,120,507</u>	<u>\$ 853,614</u>	<u>\$ 232,072</u>

The accompanying notes are an integral part of the financial statement.

LESLIE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

Budgeted Funds					
Local Government Economic Assistance Fund	Senior Citizens Fund	Flood Relief Fund	Local Government Economic Development Fund	E 911 Fund	Debt Service Fund
\$	\$	\$	\$	\$ 188,208	\$ 621,128
1,039,625	100,209		1,652,086		
175	650		90,550		5,615
204		817	950	267	439
<u>1,040,004</u>	<u>100,859</u>	<u>817</u>	<u>1,743,586</u>	<u>188,475</u>	<u>627,182</u>
25,257					118,864
74,760			31,022	293,323	6,058
129,347			362,899		
478,136	158,858				
111,525					30,557
23,339					146,865
			645,713		
<u>489,851</u>				<u>112,242</u>	<u>59,692</u>
<u>1,332,215</u>	<u>158,858</u>		<u>1,039,634</u>	<u>405,565</u>	<u>362,036</u>
(292,211)	(57,999)	817	703,952	(217,090)	265,146
487,919				600,000	
<u>(208,135)</u>			<u>(1,587,919)</u>		<u>(95,138)</u>
<u>279,784</u>			<u>(1,587,919)</u>	<u>600,000</u>	<u>(95,138)</u>
(12,427)	(57,999)	817	(883,967)	382,910	170,008
516,312	69,889	1,633,552	2,079,649	615,953	782,206
<u>\$ 503,885</u>	<u>\$ 11,890</u>	<u>\$ 1,634,369</u>	<u>\$ 1,195,682</u>	<u>\$ 998,863</u>	<u>\$ 952,214</u>
\$ 503,885	\$ 11,890	\$ 1,634,369	\$ 1,205,682	\$ 998,863	\$ 952,214
			(10,000)		
<u>\$ 503,885</u>	<u>\$ 11,890</u>	<u>\$ 1,634,369</u>	<u>\$ 1,195,682</u>	<u>\$ 998,863</u>	<u>\$ 952,214</u>

The accompanying notes are an integral part of the financial statement.

LESLIE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

	Unbudgeted Funds		
	Jail Commissary Fund	USDA Fund	Total Funds
RECEIPTS			
Taxes	\$	\$	\$ 1,710,896
In Lieu Tax Payments			179,697
Excess Fees			25,037
Licenses and Permits			76,702
Intergovernmental		34,497	6,683,371
Charges for Services			25,000
Miscellaneous	308,942		581,175
Interest			10,967
Total Receipts	<u>308,942</u>	<u>34,497</u>	<u>9,292,845</u>
DISBURSEMENTS			
General Government			889,253
Protection to Persons and Property			2,216,596
General Health and Sanitation			499,765
Social Services			636,994
Recreation and Culture	237,327		389,939
Roads			2,232,411
Debt Service			1,505,177
Capital Projects			645,713
Administration			1,892,036
Total Disbursements	<u>237,327</u>		<u>10,907,884</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>71,615</u>	<u>34,497</u>	<u>(1,615,039)</u>
Other Adjustments to Cash (Uses)			
Lease Proceeds			6,325,000
Bond Reoffering Premium			59,046
Bond Discount			(88,587)
Payroll Revolving Account			21,103
Payment to Bond Escrow Agent			(5,787,795)
Transfers From Other Funds			1,925,689
Transfers To Other Funds		(34,497)	(1,925,689)
Total Other Adjustments to Cash (Uses)		<u>(34,497)</u>	<u>528,767</u>
Net Change in Fund Balance	71,615		(1,086,272)
Fund Balance - Beginning (Restated)	37,897		8,698,880
Fund Balance - Ending	<u>\$ 109,512</u>	<u>\$ 0</u>	<u>\$ 7,612,608</u>
Composition of Fund Balance			
Bank Balance	118,565	\$ 79,409	\$ 7,584,648
Payroll Revolving Account Balance			21,103
Debt Account Bank Balance			26,933
Plus: Deposits In Transit	3,165		82,574
Less: Outstanding Checks	<u>(12,218)</u>	<u>(79,409)</u>	<u>(102,650)</u>
Ending Fund Balance	<u>\$ 109,512</u>	<u>\$ 0</u>	<u>\$ 7,612,608</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Leslie County includes all budgeted and unbudgeted funds under the control of the Leslie County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Senior Citizens Fund - The primary purpose of this fund is to operate the Senior Citizens Center. The primary source of receipts is from USDA federal grants received from the Kentucky River Area Development District (KRADD).

Flood Relief Fund - The purpose of this fund is to account for flood repair reimbursements funded by the Federal Emergency Management Agency (FEMA).

Local Government Economic Development Fund - The purpose of this fund is to account for projects funded by Local Government Economic Development funds. The primary source of receipts is grants received from the Department for Local Government.

E911 Fund - The purpose of this fund is to operate the E911 Communication Center.

CDBG Fund - This fund is used to process individual project receipts and disbursements, as necessary. The fund had no financial activity during the fiscal year ended June 30, 2015, and had a \$0 cash balance as of June 30, 2015.

Debt Service Fund - The purpose of this fund is to separately account for receipts used to satisfy long-term debt requirements for jail improvement projects and other disbursements.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

USDA Fund - This fund is used to process USDA grant funds received for and/or passed on to other governmental entities.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of this fund.

E. Leslie County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Leslie County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Leslie County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2015.

	Local Government Economic Assistance Fund	Local Government Economic Development Fund	USDA Fund	Debt Service Fund	Total Transfers In
Road Fund	\$ 208,135	\$	\$ 34,497	\$	\$ 242,632
Jail Fund		500,000		95,138	595,138
Local Government Economic Assistance Fund		487,919			487,919
E911 Fund		600,000			600,000
Total Transfers Out	<u>\$ 208,135</u>	<u>\$ 1,587,919</u>	<u>\$ 34,497</u>	<u>\$ 95,138</u>	<u>\$ 1,925,689</u>

Reason for transfers:

To move resources from and to the LGED Fund and other funds, for budgetary purposes, to the funds that will expend them.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 4. Long-term Debt

A. Leslie County Public Properties Corporation General Obligation Improvement Bonds Series 2005

On December 27, 2005, the Leslie County Public Properties Corporation issued \$5,450,000 General Obligation Improvement Bonds, Series 2005 for the purpose of constructing a detention center. The bonds mature serially through December 1, 2035 and require annual principal payments due on December 1 with the first payment due December 1, 2007. Semi-annual payments of interest at an interest rate of 4.625% are due on June 1 and December 1 of each year with the first payment due June 1, 2007. These bonds were defeased in August 2014 with a refinancing (See Note 4E).

B. Leslie County Public Properties Corporation General Obligation Improvement Bonds Series 2006

On November 15, 2006, the Leslie County Public Properties Corporation issued \$1,280,000 General Obligation Improvement Bonds Series 2006 for the purpose of constructing a detention center. The bonds mature serially through December 1, 2035 and require annual principal payments due on December 1 with the first payment due December 1, 2007. Semi-annual payments of interest at a variable interest rate ranging from 4.0% to 4.70% are due on June 1 and December 1 of each year with the first payment due June 1, 2007. These bonds were defeased in August 2014 with a refinancing (See Note 4D).

C. Kentucky Area Development Districts (KADD) Financing Trust – Jail Construction Project

On October 6, 2005, the Leslie County Fiscal Court entered into an agreement with KADD Financing Trust for the construction of a new detention facility. Total principal was \$495,000 and requires annual principal payments due on October 1 beginning on October 1, 2006 for a period of thirty years. Interest payments are due semi-annually at a variable interest rate of 3.40% and 5.0% due on April 1 and October 1 beginning on April 1, 2006 for a period of thirty years. These bonds were advance refunded by the Kentucky Association of Counties 2014B Lease issued by the Leslie County Fiscal Court. This financing obligation was fully paid off on September 29, 2014 with a refinancing (See Note 4D).

D. General Obligation Refunding Lease, Series 2014B

On August 28, 2014, the Leslie County Fiscal Court entered into a General Obligation Refunding Lease Agreement, Series, 2014B, with Kentucky Association of Counties Finance Corporation to advance refund the General Obligation Improvement Bonds, Series 2006 and the KADD Financing Trust. The total principal was \$1,540,000 and requires annual principal payments due on December 20 beginning December 20, 2014 for a period of twenty years. Interest payments are due semi-annually at rates ranging from 3.0% to 3.50% due on June 20 and December 20 beginning on December 20, 2014 for a period of twenty years. Future principal and interest requirements are:

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 4. Long-term Debt (Continued)

D. General Obligation Refunding Lease, Series 2014B (Continued)

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2016	\$ 55,000	\$ 45,513
2017	55,000	43,863
2018	60,000	42,138
2019	55,000	40,413
2020	55,000	38,763
2021-2025	320,000	166,438
2026-2030	385,000	112,731
2031-2035	<u>475,000</u>	<u>42,388</u>
Totals	<u>\$ 1,460,000</u>	<u>\$ 532,247</u>

E. General Obligation Refunding Lease, Series 2014C

On August 28, 2014, the Leslie County Fiscal Court entered into a General Obligation Refunding Lease Agreement, Series 2014C, with Kentucky Association of Counties Finance Corporation to advance refund the General Obligation Improvement Bonds, Series 2005. The total principal was \$4,785,000 and requires annual principal payments due on December 20 beginning December 20, 2014 for a period of twenty years. Interest payments are due semi-annually at rates ranging from 3.0% to 3.50% due on June 20 and December 20 beginning on December 20, 2014 for a period of twenty years. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2016	\$ 165,000	\$ 141,463
2017	170,000	136,438
2018	175,000	131,263
2019	185,000	125,863
2020	185,000	120,313
2021-2025	1,030,000	512,088
2026-2030	1,200,000	344,644
2031-2035	<u>1,430,000</u>	<u>128,294</u>
Totals	<u>\$ 4,540,000</u>	<u>\$ 1,640,366</u>

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 4. Long-term Debt (Continued)

F. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$5,820,000	\$	\$5,820,000	\$	\$
Financing Obligations	415,000		415,000		
General Obligation Refunding Leases		6,325,000	325,000	6,000,000	220,000
Total Long-term Debt	<u>\$ 6,235,000</u>	<u>\$ 6,325,000</u>	<u>\$ 6,560,000</u>	<u>\$ 6,000,000</u>	<u>\$ 220,000</u>

Note 5. Employee Retirement System

A. Plan Description

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous positions in the county. The Plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute five percent (nonhazardous) and eight percent (hazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) and seven and one-half percent (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2013 was \$695,160, FY 2014 was \$648,743, and FY 2015 was \$592,777.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Employee Retirement System (Continued)

A. Plan Description (Continued)

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Kentucky Retirement Systems issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

B. Net Pension Liability

As promulgated by GASB Statement No. 68 the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The total net pension liability for all employers participating in CERS was determined by an actuarial valuation as of June 30, 2014, measured as of the same date and is as follows: non-hazardous \$3,244,377,000 and hazardous \$1,201,825,000, for a total net pension liability of \$4,446,202,000 as of June 30, 2014. Based on these requirements, Leslie County's proportionate share of the net pension liability as of June 30, 2015 is:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Non-Hazardous	<u>\$ 5,462,000</u>	<u>\$ 4,827,000</u>
Total	<u><u>\$ 5,462,000</u></u>	<u><u>\$ 4,827,000</u></u>

The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kyret.ky.gov or can be obtained as described in the paragraph above.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Deferred Compensation

On January 27, 2016, the Leslie County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 7. Payroll Revolving Account

The County established a Payroll Revolving Account that is used to account for payroll and payroll related expenses for county, county clerk, and sheriff employees. The county treasurer transfers funds from the county funds and also receives funds from the county clerk and sheriff that are deposited into the payroll account. The amount of the transfers going into the account should be the amount of funds needed to pay the payroll and payroll related expenses so that the payroll account has a zero cash balance after accounting for all liabilities. The June 30, 2015 reconciled cash balance in the account of \$23,716. \$21,103 of this balance was added to the Jail Fund balance because it was used to pay Jail Fund retirement.

Note 8. Trust Fund/Health Reimbursement Account

Trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following trust fund:

Health Reimbursement Account - To account for county contributions to individual health accounts maintained for each employee. All Leslie County employees who meet the requirements of the Personnel Policy for eligibility for health insurance as provided by the fiscal court are allotted \$3,000 per year in a health reimbursement account to help offset higher health insurance deductibles, co-pays, and other expenses. As of June 30, 2015, the bank account balance was \$12,002.

Note 9. Insurance

For the fiscal year ended June 30, 2015, Leslie County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 10. Prior Period Adjustments

The County Treasurer did not book a proposed adjustment for fiscal year 2014 to the General Fund for \$21,596, which resulted in a restatement to decrease the General Fund beginning balance. In addition, the beginning balance of the LGEA Fund has been increased by \$13 for prior year outstanding checks being voided.

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LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 849,929	\$ 849,929	\$ 901,560	\$ 51,631
In Lieu Tax Payments	72,519	72,519	79,409	6,890
Excess Fees	25,000	25,000	25,037	37
Licenses and Permits	74,445	74,445	76,702	2,257
Intergovernmental	121,175	121,175	235,097	113,922
Charges for Services	3,067	3,067	442	(2,625)
Miscellaneous	39,675	39,675	60,539	20,864
Interest	425	425	484	59
Total Receipts	<u>1,186,235</u>	<u>1,186,235</u>	<u>1,379,270</u>	<u>193,035</u>
DISBURSEMENTS				
General Government	782,179	841,470	745,132	96,338
Protection to Persons and Property	4,000	4,000	3,999	1
General Health and Sanitation	7,500	7,519	7,519	
Recreation and Culture	16,000	16,114	10,530	5,584
Administration	1,126,556	1,067,132	458,981	608,151
Total Disbursements	<u>1,936,235</u>	<u>1,936,235</u>	<u>1,226,161</u>	<u>710,074</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(750,000)</u>	<u>(750,000)</u>	<u>153,109</u>	<u>903,109</u>
Net Change in Fund Balance	(750,000)	(750,000)	153,109	903,109
Fund Balance Beginning (Restated)	<u>750,000</u>	<u>750,000</u>	<u>967,398</u>	<u>217,398</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,120,507</u>	<u>\$ 1,120,507</u>

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
In Lieu Tax Payments	\$ 118,321	\$ 118,321	\$ 100,288	\$ (18,033)
Intergovernmental	1,565,880	1,565,880	1,823,201	257,321
Miscellaneous			1,550	1,550
Interest	771	771	592	(179)
Total Receipts	1,684,972	1,684,972	1,925,631	240,659
DISBURSEMENTS				
Roads	1,983,400	2,523,124	2,062,207	460,917
Administration	601,572	461,848	318,270	143,578
Total Disbursements	2,584,972	2,984,972	2,380,477	604,495
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(900,000)	(1,300,000)	(454,846)	845,154
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			242,632	242,632
Total Other Adjustments to Cash (Uses)			242,632	242,632
Net Change in Fund Balance	(900,000)	(1,300,000)	(212,214)	1,087,786
Fund Balance Beginning	900,000	900,000	1,065,828	165,828
Fund Balance - Ending	\$ 0	\$ (400,000)	\$ 853,614	\$ 1,253,614

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive Negative
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,573,192	\$ 1,573,192	\$ 1,798,656	\$ 225,464
Charges for Services	26,922	26,922	24,558	(2,364)
Miscellaneous	85,662	85,662	113,154	27,492
Interest	387	387	7,214	6,827
Total Receipts	1,686,163	1,686,163	1,943,582	257,419
DISBURSEMENTS				
Protection to Persons and Property	1,878,850	1,874,077	1,807,434	66,643
Debt Service	455,372	511,602	1,505,177	(993,575)
Administration	451,941	494,284	453,000	41,284
Total Disbursements	2,786,163	2,879,963	3,765,611	(885,648)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	(1,100,000)	(1,193,800)	(1,822,029)	(628,229)
Other Adjustments to Cash (Uses)				
Lease Proceeds			6,325,000	6,325,000
Bond Reoffering Premium			59,046	59,046
Bond Discount			(88,587)	(88,587)
Payroll Revolving Account			21,103	21,103
Payment to Bond Escrow Agent			(5,787,795)	(5,787,795)
Transfers From Other Funds	900,000	900,000	595,138	(304,862)
Total Other Adjustments to Cash (Uses)	900,000	900,000	1,123,905	223,905
Net Change in Fund Balance				
	(200,000)	(293,800)	(698,124)	(404,324)
Fund Balance Beginning	200,000	200,000	930,196	730,196
Fund Balance - Ending				
	\$ 0	\$ (93,800)	\$ 232,072	\$ 325,872

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,250,986	\$ 1,250,986	\$ 1,039,625	\$ (211,361)
Miscellaneous			175	175
Interest	175	175	204	29
Total Receipts	1,251,161	1,251,161	1,040,004	(211,157)
DISBURSEMENTS				
General Government	21,977	25,258	25,257	1
Protection to Persons and Property	80,710	80,710	74,760	5,950
General Health and Sanitation	139,200	160,488	129,347	31,141
Social Services	714,332	655,612	478,136	177,476
Recreation and Culture	164,960	164,960	111,525	53,435
Roads	262,431	262,431	23,339	239,092
Administration	757,251	741,402	489,851	251,551
Total Disbursements	2,140,861	2,090,861	1,332,215	758,646
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(889,700)	(839,700)	(292,211)	547,489
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	450,000	450,000	487,919	37,919
Transfers To Other Funds			(208,135)	(208,135)
Total Other Adjustments to Cash (Uses)	450,000	450,000	279,784	(170,216)
Net Change in Fund Balance	(439,700)	(389,700)	(12,427)	377,273
Fund Balance Beginning (Restated)	439,700	439,700	516,312	76,612
Fund Balance - Ending	\$ 0	\$ 50,000	\$ 503,885	\$ 453,885

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

SENIOR CITIZENS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 109,608	\$ 109,608	\$ 100,209	\$ (9,399)
Miscellaneous			650	650
Total Receipts	109,608	109,608	100,859	(8,749)
DISBURSEMENTS				
Social Services	128,915	198,681	158,858	39,823
Administration	30,693	10,927		10,927
Total Disbursements	159,608	209,608	158,858	50,750
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(50,000)	(100,000)	(57,999)	42,001
Net Change in Fund Balance	(50,000)	(100,000)	(57,999)	42,001
Fund Balance Beginning	50,000	50,000	69,889	19,889
Fund Balance - Ending	\$ 0	\$ (50,000)	\$ 11,890	\$ 61,890

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

FLOOD RELIEF FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 805	\$ 805	\$ 817	\$ 12
Total Receipts	805	805	817	12
DISBURSEMENTS				
Administration	1,634,320	1,234,320		1,234,320
Total Disbursements	1,634,320	1,234,320		1,234,320
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,633,515)	(1,233,515)	817	1,234,332
Net Change in Fund Balance	(1,633,515)	(1,233,515)	817	1,234,332
Fund Balance Beginning	1,633,515	1,633,515	1,633,552	37
Fund Balance - Ending	\$ 0	\$ 400,000	\$ 1,634,369	\$ 1,234,369

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,441,401	\$ 2,441,401	\$ 1,652,086	\$ (789,315)
Miscellaneous			90,550	90,550
Interest	1,060	1,060	950	(110)
Total Receipts	<u>2,442,461</u>	<u>2,442,461</u>	<u>1,743,586</u>	<u>(698,875)</u>
DISBURSEMENTS				
Protection to Persons and Property		31,022	31,022	
General Health and Sanitation	179,002	501,435	362,899	138,536
Recreation and Culture		89,500		89,500
Capital Projects	2,194,221	1,749,835	645,713	1,104,122
Administration	552,241	553,672		553,672
Total Disbursements	<u>2,925,464</u>	<u>2,925,464</u>	<u>1,039,634</u>	<u>1,885,830</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(483,003)</u>	<u>(483,003)</u>	<u>703,952</u>	<u>1,186,955</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(950,000)</u>	<u>(950,000)</u>	<u>(1,587,919)</u>	<u>(637,919)</u>
Total Other Adjustments to Cash (Uses)	<u>(950,000)</u>	<u>(950,000)</u>	<u>(1,587,919)</u>	<u>(637,919)</u>
Net Change in Fund Balance	(1,433,003)	(1,433,003)	(883,967)	549,036
Fund Balance Beginning	<u>1,433,003</u>	<u>1,433,003</u>	<u>2,079,649</u>	<u>646,646</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,195,682</u>	<u>\$ 1,195,682</u>

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

E 911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 187,377	\$ 187,377	\$ 188,208	\$ 831
Interest	214	214	267	53
Total Receipts	187,591	187,591	188,475	884
DISBURSEMENTS				
Protection to Persons and Property	348,920	380,906	293,323	87,583
Administration	338,671	306,685	112,242	194,443
Total Disbursements	687,591	687,591	405,565	282,026
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(500,000)	(500,000)	(217,090)	282,910
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			600,000	600,000
Total Other Adjustments to Cash (Uses)			600,000	600,000
Net Change in Fund Balance	(500,000)	(500,000)	382,910	882,910
Fund Balance Beginning	500,000	500,000	615,953	115,953
Fund Balance - Ending	\$ 0	\$ 0	\$ 998,863	\$ 998,863

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

DEBT SERVICE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 700,445	\$ 700,445	\$ 621,128	\$ (79,317)
Miscellaneous			5,615	5,615
Interest	360	360	439	79
Total Receipts	700,805	700,805	627,182	(73,623)
DISBURSEMENTS				
General Government	97,920	218,241	118,864	99,377
Protection to Persons and Property		46,058	6,058	40,000
Recreation and Culture		30,557	30,557	
Roads		180,000	146,865	33,135
Administration	702,885	232,149	59,692	172,457
Total Disbursements	800,805	707,005	362,036	344,969
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(100,000)	(6,200)	265,146	271,346
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(400,000)	(400,000)	(95,138)	304,862
Total Other Adjustments to Cash (Uses)	(400,000)	(400,000)	(95,138)	304,862
Net Change in Fund Balance	(500,000)	(406,200)	170,008	576,208
Fund Balance Beginning	500,000	500,000	782,206	282,206
Fund Balance - Ending	\$ 0	\$ 93,800	\$ 952,214	\$ 858,414

LESLIE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

Note 2. Excess of Disbursements Over Appropriations

The Debt Service line item in the Jail Fund exceeded budgeted appropriations by \$993,575 resulting in the Jail Fund exceeding total budgeted appropriations by \$885,648. This was due to adjustments made for unbudgeted debt service payments.

LESLIE COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015

LESLIE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

The fiscal court reports the following schedule of capital assets:

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Land	\$ 1,577,861	\$ 420,217	\$	\$ 1,998,078
Buildings	13,545,603	30,496		13,576,099
Vehicles and Equipment	1,088,993			1,088,993
Other Equipment	1,828,509	60,430		1,888,939
Infrastructure	7,238,174	335,760		7,573,934
 Total Capital Assets	 <u>\$ 25,279,140</u>	 <u>\$ 846,903</u>	 <u>\$</u>	 <u>\$26,126,043</u>

LESLIE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2015

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 50,000	10-20
Land	All	
Building	All	25-40
Other Equipment	\$ 5,000	5-20
Vehicles and Equipment	\$ 5,000	5-10
Infrastructure	\$ 50,000	5-50

Note 2. Prior Period Adjustments

Other Equipment beginning balance has increased by \$2,400 from the prior year. The incorrect information was entered on the prior year capital asset schedule.

The beginning balance for land and buildings will be reduced for the leased property at the ATV/RV Park for the following amounts: Buildings by \$47,100 and Land by \$116,631.

The Veterans Cemetery was incorrectly added to buildings in the prior year while it should have been added to land. The beginning balance for both items will be restated by \$1,211,061.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jimmy Sizemore, Leslie County Judge/Executive
Members of the Leslie County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards***

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Leslie County Fiscal Court for the fiscal year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Leslie County Fiscal Court's financial statement and have issued our report thereon dated May 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Leslie County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Leslie County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Leslie County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations as item 2015-002 to be a material weakness.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying comments and recommendations as item 2015-003 to be a significant deficiency.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Leslie County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying comments and recommendations as item 2015-001.

County Judge/Executive and County Jailer's Responses to Findings

The Leslie County Judge/Executive and Leslie County Jailer's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The County Judge/Executive and County Jailer's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

May 18, 2016

**LESLIE COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2015

LESLIE COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2015

STATE LAWS AND REGULATIONS:

2015-001 The Fiscal Court Did Not Obtain Bids As Required By Statute

During fiscal year 2015, the fiscal court contracted with three different vendors who received payments for more than \$20,000 without bidding for projects. The county failed to advertise for bids in compliance with KRS 424.260.

In addition, the fiscal court's 2015 illegal dump remediation grant application consisted of at least four dump site locations with estimated total project costs exceeding \$20,000. Multiple projects including road repairs, bridge repairs, and dumpsite cleanups were given to vendors without bidding, which may have led to the county not receiving the best price. Furthermore, by not obtaining bids for dumpsite cleanups with estimated costs over \$20,000, the fiscal court was not in compliance with initial grant requirements. Total project costs for these four dump site locations ranged from \$19,700 to \$19,995.

According to KRS 424.260, "no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids." According to the fiscal court's 2015 illegal open dump remediation grant agreement, "if a contractor is to be used to perform the cleanup of the illegal open dump, competitive sealed bids are required for an individual dumpsite estimated to exceed \$20,000." We recommend the fiscal court ensure any purchases for \$20,000 or more are bid in compliance with KRS 424.260. We also recommend the fiscal court ensure they are in compliance with all applicable grant agreement requirements.

County Judge/Executive's Response: Any invoices paid without being let out for bid and above \$20,000 were in response to emergency circumstances.

INTERNAL CONTROL - MATERIAL WEAKNESS:

2015-002 The Fiscal Court Lacks Adequate Segregation Of Duties Over Cash, Receipts, Bank Reconciliations, And Payroll Procedures

The fiscal court lacks adequate segregation of duties over cash, receipts, bank reconciliations and payroll. These control weakness are present because the county treasurer is responsible for preparing deposits, posting to the receipts ledger, reconciling all bank accounts, preparing monthly reports for the fiscal court and quarterly reports for the Department for Local Government, and performing all payroll procedures. While some compensating controls are in place, including the preparation of receipt listings by the Occupational Tax Administrator, the comparison of these listings to the Quarterly Report(s) are not sufficient to ensure that all receipts are properly recorded. No additional procedures have been implemented to verify the bank reconciliations agree to monthly or quarterly reports, or to ensure payroll reports are accurate and are properly recorded in the disbursement ledger.

Lack of adequate segregation of duties can result in misstatements and inaccurate financial reporting that is not detected in a timely manner. To adequately protect assets, effective internal controls require separation of duties involving deposit preparation, recording of receipts, reconciling the bank account, and preparation of payroll. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

If duties cannot be adequately segregated, due to a limited staff, compensating controls may be implemented to reduce the risks associated with a lack of adequate segregation of duties.

LESLIE COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2015
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESS (CONTINUED):

2015-002 The Fiscal Court Lacks Adequate Segregation Of Duties Over Cash, Receipts, Bank Reconciliations, And Payroll Procedures (Continued)

We recommend the duties over cash, receipts, bank reconciliations, and payroll procedures be separated. The fiscal court may also choose to implement the following compensating controls:

- An independent employee could compare the listing of receipts to the county treasurer's deposits and receipts ledger. The comparison should be documented.
- An independent employee could review the county treasurer's bank reconciliations for accuracy and compare to the ending fund balances. This review should be documented on the bank reconciliation.
- An independent employee could review payroll reports prior to distribution of payroll checks. The comparison should verify amounts such as gross wages, withholding amounts, amounts transferred to the payroll revolving account, and should be documented on the applicable payroll reports.

County Judge/Executive's Response: Subject to financial and staffing limitations the Leslie County Fiscal Court will implement the necessary compensating controls.

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2015-003 The Jail Commissary Lacks Adequate Segregation Of Duties Over All Jail Commissary Accounting Functions

A lack of adequate segregation of duties existed over all jail commissary accounting functions. The Jailer's commissary bookkeeper receives the mail, prepares the deposits, issues receipts, prepares checks, and co-signs checks. Although, the Jailer said he reviews supporting documentation, there is no documentation of his review. When one employee is solely responsible for the receipt, disbursement, reporting and reconciling process, the risk of misappropriation of assets, errors, and inaccurate financial reporting increases.

Effective internal controls dictate that essential duties should be separated. Adequate segregation of duties would have prevented the same person from having a significant role in the receiving process, recording, and reporting of receipts and disbursements. If these duties could not be segregated due to a limited number of staff or budget, strong oversight should be provided by the Jailer, or an employee not responsible for these duties.

We recommend the Jailer separate duties in preparing and depositing receipts, recording transactions, preparing checks, and reconciling bank accounts. If the Jailer chooses, he may implement compensating controls to reduce the risks associated with this weakness. The following are examples of compensating controls that can be implemented:

- The Jailer, or his designee, can periodically recount and deposit cash receipts. This should be documented by initialing and dating the daily checkout sheet and deposit slip.
- The Jailer, or his designee, can periodically review the daily checkout sheets and compare to the receipt ledger. This can be documented by initialing and dating the daily checkout sheet.

LESLIE COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2015
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES (CONTINUED):

2015-003 The Jail Commissary Lacks Adequate Segregation Of Duties Over All Jail Commissary Accounting Functions (Continued)

- The Jailer, or his designee, can open bank statements and review them for unusual items. This can be documented by initialing and dating the bank statement.
- The Jailer, or his designee, can complete the bank reconciliation or review the bookkeeper's bank reconciliations for accuracy. This can be documented by initialing and dating the bank reconciliation and bank statement.

Current Jailer's Response: As indicated in the Report, I have one individual assigned to oversee the Jail Commissary. [Jail employee's name] is the Supervisor of the Commissary. [Jail employee's name] was appointed by me to the commissary supervisor position in January 2015. Working with [Jail employee's name], however, are several individuals: [Jail employee's name, Jail employee's name, and Jail employee's name]. While [Jail employee's name] oversees them, each of them perform sales related functions. With regard to the accounting issues, [Jail employee's name] and I have been the two who have had oversight responsibilities. Due to a limited budget, I am unable to hire another individual to work in commissary. Given that budget restriction, during the relevant time period, no check was issued without my signature on it as well as the signature of [Jail employee's name]. In addition, [Jail employee's name], as well as other supervisors, provide a weekly report to me during a specifically designated time (Monday evenings at 4:00 p.m.)

Further, the following controls are in place:

- 1) [Jail employee's name] and I co-sign all checks;*
- 2) [Jail employee's name] provides a weekly report to me, as well as to other supervisors, on the commissary account. She answers any questions asked of her during that meeting;*
- 3) Beginning approximately one month ago, I am reviewing and initialing all cash receipts;*
- 4) I, or my Human Resources Supervisor [Jail employee's name], have begun and will continue to open bank statements and review them prior to providing them to [Jail employee's name] for reconciliation;*
- 5) I, or my Human Resources Supervisor [Jail employee's name], will periodically recount the cash deposits. We have already engaged in this practice with regard to the vending machine account; and*
- 6) I, or my Human Resource Supervisor [Jail employee's name] will review the bank reconciliations for accuracy.*

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM**

LESLIE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2015**

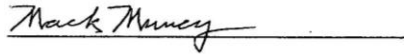
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM
LESLIE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

The Leslie County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer

